

LICENSING PROCEDURES

For Electric Power and Natural Gas Import and Export Activities in the Energy Sector of the Republic of Armenia

These Procedures define the process of filing and reviewing Applications for Licenses that give the right to engage in import/export activities in the power sector, as specified in the Energy Law of the Republic of Armenia, the terms of License issuance (rejection), suspension and revocation, and apply to the Entities specified in Article 2.1. of the present Procedures, regardless of the type of their legal organization or ownership.

1. DEFINITIONS

The terms used in this Contract imply the following :

- | | |
|---------------------------|---|
| 1.1. Entity | - a legal entity; |
| 1.2. Energy Sector | - a system of technical and legal organization of the economic entities involved in electricity generation, transmission and distribution; thermal power generation, transmission and distribution; natural gas transportation and distribution; as well as the import and export of electricity, and natural gas (regardless of the type of proprietorship); |
| 1.3. Commission | - RoA Energy Regulatory Commission a regulating body in the energy sector, acting in conformance with the RoA Energy Law, and in accordance with certain authorities bestowed on itself by the Government of Armenia; |
| 1.4. License | - an official document issued by the RoA Energy Regulatory Commission, in compliance with the RoA Energy Law, verifying the Entity's right to engage in certain activities in the power sector; |

- 1.5. Applicant** - a person or entity who has applied to the Commission in accordance with the present Procedures, in order to acquire a License.
- 1.6. File** - an individual folder containing documents that once served as a basis for issuing a License, as well as information about violations discovered during the implementation of the licensed activity, and their rectification, tariff justification documents, financial reports and other relevant papers.
- 1.7. Licensee** - an entity that has been issued a License, in conformance with the RoA Energy Law and the present Procedures;
- 1.8. Force Majeure** - an emergency situation which occurs due to unforeseen circumstances beyond the Licensee's control (natural disasters, military activities, major accidents in the power system, major changes in the RoA Legislation, and other reasons provided by Law), which partly or completely make the implementation of the licensed activity and the contractual obligations impossible.

2. GENERAL PROVISIONS

- 2.1. The License is issued only to legal entities to engage in the following activities in the RoA energy sector, provided by the RoA Energy Law:
- a) natural gas import;
 - b) natural gas export;
 - c) electric power (capacity) import;
 - d) electric power (capacity) export.
- 2.2. The Import Licenses are issued through public tender, the conditions of which are established by the Energy Commission based on the portions specified in the supply contract signed with natural gas and electricity consumers, as well as on forecasts of residential consumption.
- 2.3. The Import Licenses can be issued without conducting a public tender only in the following cases:

- a) the product is being imported in accordance with contract signed earlier (the contract should be signed before implementation of the licensing system),
 - b) the product is being or will be imported in the framework of the intergovernmental agreement, or contract (memorandum) between RoA government, or Entity authorized by the Government and foreign supplier,
 - c) importer and exporter is the same Entity (import is done for own needs)
- 2.4. The Export Licenses are issued only when the internal market is excessive. To receive a Natural Gas Export License it is necessary to obtain agreement of the foreign supplier, which supplies natural gas to the Republic of Armenia, if the exported gas is not recovered in the Republic of Armenia.
- 2.5. Effective period of the licensed activities specified in Article 2.1. of the present Procedures are as follows:
- a) natural gas import – in accordance with the conditions of the public tender,
 - b) electric power import - in accordance with the conditions of the public tender,
 - c) natural gas export - in accordance with the terms of the Contract signed with the foreign consumer, but not more than one year,
 - d) electric power export - in accordance with the terms of the Contract signed with the foreign consumer, but not more than one year.

In cases when the products are being imported or exported in the framework of the intergovernmental agreement, or contract between RoA government, or Entity authorized by the Government and foreign supplier or consumer, effective period of the licensed activity can be determined in accordance with the terms of the Contract.

Based on the forecasts of market prices for natural gas and electric power the Energy Regulatory Commission can determine other exceptional effective periods of licensed activity.

- 2.6. In accordance with the procedures of “Procedures for presentation of financial guarantees necessary to acquire a License on Natural Gas Import and Export Activities in the Energy Sector of the Republic of Armenia” approved by the Energy Regulatory Commission, the Import and Export Licenses are issued only on availability of the corresponding guarantees ensuring the willingness and contingency to follow the provisions of the License.

2.7. The Import and Export Licenses necessarily indicate the following:

Electric Power (Capacity) Import Contract:

- period of import and volume of the imported electric power
- allowable deviations of the imported capacity
- daily time-table of the imported capacity for the whole period of import process
- the biggest capacity and allowable period
- stability indicators for the system (station)
- minimum and maximum costs of the short circuit power of the foreign supplier's energy system
- price of the imported electric power (capacity), price formula
- requirements for the relay protection, transmission lines, communication means, commercial metering devices necessary for the import
- allowable range of frequency deviation
- voltage allowable deviations according to load and time
- payment procedures for the imported electric power (capacity)
- penalties and fines implied in case of violation of the provisions of the Contract
- procedures for discussion and resolution of disputes
- language of communication of the contractual parties

Electric Power (Capacity) Export Contract:

- period of export and volume of the exported electric power
- allowable deviations of the exported capacity
- daily time-table of the exported capacity for the whole period of export process
- the biggest capacity and allowable period

- minimum and maximum costs of the short circuit power of the exporter's energy system
- allowable range of frequency deviation
- price of the exported electric power (capacity), price formula
- requirements for the relay protection, transmission lines, communication means, commercial metering devices necessary for the export
- payment procedures for the imported electric power (capacity)
- penalties and fines implied in case of violation of the provisions of the Contract
- procedures for discussion and resolution of disputes
- language of communication of the contractual parties

Natural Gas Import:

- period of import, volume of the imported gas, including monthly (quarterly) volumes
- average daily gas volume, daily minimum and maximum volumes
- average, minimum and maximum allowable pressure of gas on the national boundary of the Republic of Armenia
- qualitative indicators of the imported gas:
 - substance
 - allowable content of humidity, sulphur and mechanical (solid) materials, and oxygen in gas
 - average, minimum and maximum heat content
- price of the imported gas (price formula)
- requirements for the communication means and commercial metering devices necessary for the import

- standards for inspection of the gas qualitative indicators
- payment procedures for the imported gas
- penalties and fines implied in case of violation of the provisions of the Contract
- procedures for discussion and resolution of disputes
- language of communication of the contractual parties

Natural Gas Export

- period of export, volume of the imported gas, including monthly (quarterly) volumes
 - average daily gas volume, daily minimum and maximum volumes
 - average, minimum and maximum allowable pressure of gas on the national boundary of the Republic of Armenia
 - qualitative indicators of the exported gas
 - price of the exported gas (price formula)
 - requirements for the communication means and commercial metering devices necessary for the export
 - standards for inspection of the gas qualitative indicators
 - payment procedures for the exported gas
 - penalties and fines implied in case of violation of the provisions of the Contract
 - procedures for discussion and resolution of disputes
 - language of communication of the contractual parties
- 2.8. Engagement in activities specified in Article 2.1. of the present Procedures without a License is subject to prosecution under the RoA Legislation.
- 2.9. The only copy of the License is handed over to the Licensee personally, or, if there is a corresponding authorization, to the authorized representative of the Licensee.

- 2.10. To receive the License, the Licensee is required to pay a charge, in the amount and in procedures provided by the RoA Law on State Charge.
- 2.11. The receipt with the Licensee's or his representative's signature remains at the Commission (Appendix 2).
- 2.12. The License becomes effective from the moment of its registration with the Commission.
- 2.13. In the event of losing the original License, the Licensee will have to publish an ad in the national printed press. After that he can apply to the Commission, and receive a duplicate of his License within a 15-day period.
- 2.14. The alienation of the License to other entities (transfer, sales, etc.) is prohibited, unless otherwise provided by Law.

3. APPLICATION FOR LICENSE, ITS REVIEW AND DECISIONMAKING

- 3.1. The Import License is issued to the Entity, which wins the public tender, following very simplified procedures after 10 days from submitting the documents specified in Appendix 4 of the present Procedures to the Commission. The licensing process of the Entity can be terminated if:
 - the provisions of the final Import Contract extremely differ from those presented at the public tender, or don not comply with the conditions of the public tender,
 - the presented financial guarantees do not meet the requirements of the “Procedures for presentation of financial guarantees necessary to acquire a License on Natural Gas Import and Export Activities in the Energy Sector of the Republic of Armenia” approved by the Energy Regulatory Commission.

Issuance of the Import License without conducting a public tender and Export License is implemented in accordance with the provisions specified in items 3.2. and 3.11 of the present Procedures.

- 3.2. To get a License, the Entity has to provide the Commission with 2 copies of the relevant Application and documentation, in accordance with the application form

and the list of pertinent documents, provided by Appendixes 3 and 4 of the present Procedures.

- 3.3. The Commission may also require other information, if such be necessary in order to make a decision on the issuance or rejection of a License.
- 3.4. In accordance with the RoA Legislation, the applicant bears the responsibility for the accuracy of the information forwarded for the Commission's review.
- 3.5. The Application for License and attached documents must comply with the requirements provided by the RoA Legislation, the present Procedures and other normative documents.
- 3.6. After receiving the Application for License and the pertaining documents, the Commission registers them and proceeds with verifying their compliance with the relevant forms and the list of essential documents provided by Appendix 4 of the present Procedures. Within 10 days of the receipt of the Application, the Applicant will be sent a notice about the results of the review. In the event of a positive outcome, the ERC shall proceed with the licensing process and will issue an adequate resolution within 90 days of the receipt of the Application.
- 3.7. If there is a need for additional information or documents, which hinders the decisionmaking process, or there is a need for supplemental analysis with the involvement of independent experts, the time required for such an analysis (not to exceed 30 days) is not included in the period of the Application review. The Applicant shall be notified in writing about such incidents.
- 3.8. In the event of a favorable outcome, within 10 days of the resolution, the Commission issues the License in the due order and manner to the Applicant or his authorized representative. In the event of an unfavorable outcome, within the same time period the Applicant is sent a copy of the Commission's resolution of rejection containing the grounds for such rejection.
- 3.9. An Application for License can be rejected by the Commission in the following instances:
 - a) when the submitted documents contain misrepresentations of real facts;
 - b) when the applicant's basic documents do not comply with the requirements of the RoA Legislation;
 - c) when the financial guarantees specified in item 2.6. of the present Procedures do not comply with the requirements of the "Procedures for

presentation of financial guarantees necessary to acquire a License on Natural Gas Import and Export Activities in the Energy Sector of the Republic of Armenia” approved by the Energy Regulatory Commission.

- d) Implementation of the licensed export activities lead or may result in increase of tariffs for natural gas or electric power sold to the customers of the Republic of Armenia, or be harmful for any Entity (Entities) licensed in Energy Sector,
- e) Issuing an Import License causes deprivations of the rights of another Entity who has an Import License.

Rejection of an Application is prohibited on any motives (unless otherwise provided by Law).

- 3.10. After a close consideration of the Commission's objections to the issuance of a License, the applicant can re-apply for the License, in accordance with the procedures set by Article 3.1.
- 3.11. The Commission's resolution of refusal cannot affect in any way the review of other applications by the same applicant.
- 3.12. The Licensee whose License has been revoked has the right to apply to the Commission for a new License on common grounds, if he meets the requirements set by the Commission.

4. PROCEDURAL QUESTIONS

- 4.1. The paperwork associated with the License registration shall be maintained separately for each Licensee, and an individual file shall be made for each Licensee.
- 4.2. In the event of termination of the License by the Licensee or revocation of the License, the registration file shall be kept in due manner.
- 4.3. In the event of License suspension or revocation the License shall by all means be returned to the Commission within 5 days of the issuance of a corresponding resolution.
- 4.4. In the event of License suspension or revocation the ERC shall notify the Licensee and publish a notice in the printed press.

- 4.5. All the Commission's resolutions regarding the issuance or rejection of a License, the introduction of amendments and supplements to the License, the suspension or revocation of the Licenses, as well as the introduction of amendments and supplements to the present Procedures shall be made during the Commission's meetings, in accordance with established procedures.
- 4.6. The ERC shall maintain a Registration Log of all Licenses issued to Licensees.
- 4.7. The resolutions of the Commission on licensing, as well as the submitted documents have to be accessible for review by any of the interested physical or legal entities, provided that they do not contain any confidential national, service or commercial information, as required by the RoA Legislation.

5. PENALTIES. LICENSE SUSPENSION. LICENSE REVOCATION

- 5.1. The ERC, in conjunction with other authorized government bodies, shall carry out monitoring of compliance to the License provisions.
- 5.2. In instances when the Licensee fails to comply with the License provisions, or partly fails to adhere to the License provisions, or violates them, the Commission is authorized to apply the following enforcement measures, in accordance with Article 27 of the RoA Energy Law;
 - a) notice and instructions to rectify violations;
 - b) suspension of the operation License;
 - c) revocation of the operation License.

The enforcement procedures for the above measures shall be established by the ERC. The Commission can impose penalties on the Licensees in accordance with legislative procedures.

- 5.3. In instances of License revocation the Commission and the Licensee shall be guided by legal and normative acts approved by the Commission and the RoA Legislation.
- 5.4. In instances of License revocation the Commission and the Licensee shall be guided by legal and normative acts approved by the Commission, Article 37 of the RoA Energy Law and the RoA Legislation.

- 5.5. A License can be suspended or revoked upon the Licensee's own initiative, by notifying the Commission in writing. However, until the issuance of a corresponding resolution on the suspension or revocation of the given License, the Licensee shall be required to carry on the licensed activity, as required by the License provisions.
- 5.6. The Licensee shall not be held responsible in conformance with Item 5.2. of the present Procedures if the noncompliance with the License provisions have been caused by Force Majeure circumstances.

6. Disputes

Any disputes associated with the enforcement of the present Procedures shall be settled in accordance with legislatively established procedures.

REGISTRATION LOG
OF OPERATION LICENSES IN THE POWER SECTOR OF
THE REPUBLIC OF ARMENIA

N	Code of the Licensee	Date and Number of Registration of the License	Full and Abbreviated (if any) Name of the Licensee	Address	Type of the Licensed Activity	Date of Issue of the License and Number of Commission Resolution	Effective Period of the License	Notes on License Suspension or Revocation (with justification)	Special Notes
1	2	3	4	5	6	7	8	9	10

License Receipt

Resolution No. _____, dated _____

Date of Registration _____

Number of Registration _____

Type of the Licensed Activity _____

The License has been issued to _____

Name, address and the telephone number of the Licensee

Teletype, E-mail, telex, fax numbers

First and last name of the person receiving the License

Number of the passport or another ID, and who it was issued by

Number and date of Authorization to receive the License

Appendix: Authorization to receive the License

First and last name, office and position of the person authorizing

Date

Signature

APPLICATION

We hereby are requesting a License authorizing our engagement in business activities in

Type of the Licensed Activity

We are hereby informing that the information contained in the documents submitted to the RoA Energy Regulatory Commission is accurate and complete. Our company is familiar with the provisions and requirements of carrying out the Licensed Activity and is promising to comply with them.

The following documents are attached to this Application:
(Name of document, number of pages, number of copies)

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

Name of the Licensee

Bank Account information

Address, telephone, E-mail, telex, fax numbers

Position, first and last names and signature of the Applicant

Date, the seal of the enterprise

**LIST OF ESSENTIAL DOCUMENTS
NEEDED FOR THE ISSUANCE OF THE LICENSE FOR
IMPORT AND EXPORT ACTIVITIES IN THE ENERGY SECTOR**

	<div style="text-align: center;">Licensed Activity</div> <div style="text-align: center;">Document Submitted</div>	Natural Gas Import		Electric Power Import		Natural Gas Export	Electric Power Export	Notice
		Licensing through public tender	Licensing other than through public tender	Licensing through public tender	Licensing other than through public tender			
1	2	3	4	5	6	7	8	9
1	Company and its orgchart	—	●	—	●	●	●	
2	Copies of the company's foundation papers and State Registration Certificate	—	●	—	●	●	●	
3	Information about shareholders and their shares	—	●	—	●	●	●	
4	Copies of the financial inspection papers (carried out by authorized bodies) and audit resolutions (if carried out during the past one year)	—	●	—	●	●	●	
5	Reports for the current year (quarterly) and the previous year in forms developed by ERC	—	●	—	●	●	●	
6	Copy of an ad in a national newspaper about an intention to engage in licensed activity	—	—	—	—	●	●	
7	An initial contract (agreements) on electric power purchase signed with an Entity, which has a right to sell electric power in the Energy Sector of the	—	—	—	—	—	●	The document is not required if the exporter exports electric power either produced or

	Republic of Armenia, or memorandum about intentions to purchase, or final contract on purchase, which shall become effective from the moment of Export License receipt							imported by him
8	An initial contract (agreements) on natural gas purchase signed with an Entity, which has a right to sell natural gas in the Energy Sector of the Republic of Armenia, or memorandum about intentions to purchase, or final contract on purchase, which shall become effective from the moment of Export License receipt	—	—	—	—	●	—	The document is not required if the exporter exports natural gas either imported or recovered by him
9	An initial contract (agreement) on import, signed with a foreign supplier, or memorandum about intentions to import, or final import contract, which shall become effective from the moment of Import License receipt	—	●	—	●	—	—	
10	An initial contract (agreement) on export, signed with a foreign consumer, or memorandum about intentions to export, or final export contract, which shall become effective from the moment of Export License receipt	—	—	—	—	●	●	
11	The final contract on electric power purchase signed with an Entity, which has a right to sell electric power in the Energy Sector of the Republic of Armenia*	—	—	—	—	—	●	The document is not required if the exporter exports electric power either produced or imported by him
12	The final contract on natural gas purchase signed with an Entity, which has a right to sell natural gas in the Energy Sector of the Republic of Armenia*	—	—	—	—	●	—	The document is not required if the exporter exports natural gas either imported or recovered by him
13	The final import contract signed with a foreign supplier*	●	●	●	●	—	—	
14	The final export contract signed with a foreign consumer*	—	—	—	—	●	●	
15	Resolution approving the results of the public tender on import	●	—	●	—	—	—	
16	The foreign supplier's conformation to export natural gas (in cases when the natural gas is not	—	—	—	—	●	—	

	recovered in Armenia)							
17	Resolution of the National Central Dispatch on the opportunities to implement the proposed import or export modes	—	—	—	●	—	●	
18	Resolution of the Gas Transportation Central Dispatch on the opportunities to implement the proposed import or export modes	—	●	—	—	●	—	
19	Guarantees, in procedures set by ERC*	●	●	●	●	●	●	Exporters in procedures set by ERC are not required to present guarantees (including financial) in the following cases: — when the exporter exports electric power either produced or imported by himself — when the exporter exports natural gas either imported or recovered by himself
20	Document verifying the payment of state charges*	●	●	●	●	●	●	

Note:

- - document is required
- - document is not required

* - must be submitted after the issuance of ERC's favorable resolution on licensing, and prior to the receipt of the original License

FOR PUBLIC INFORMATION

Please be advised that _____
Name of the Licensee

has applied to the RoA Energy Regulatory Commission for engagement in business activities in

Type of the Licensed Activity

Telephone, E-mail, telex and fax numbers of the Licensee